Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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UK government confronts skeptics with pledge to turbocharge growth

The UK government is switching its messaging from pain to gain as it seeks to convince skeptical investors and consumers that its overriding priority in a range of policy initiatives is to kickstart economic growth.

Keir Starmer came under fire from even sympathetic commentators early in his prime ministerial term for focusing on a doom-and-gloom analysis of the country's prospects that risked making a bad situation worse.

Add to that an October budget that was attacked as anti-business, and the critics may have felt somewhat vindicated this month as UK consumer confidence plunged to its lowest in a year and some companies prepared to retrench in the face of further predicted falls in activity.

Perhaps all that post-election talk of a financial 'black hole' left by the departing Conservatives and the endless reminders of the 'tough choices' ahead had actually had a negative impact.

For fear of worse to come, households that could afford to do so opted to save rather than spend, further dampening already lacklustre growth that increased by a mere 0.1 percent in November, having shrunk the previous month, according to the most recent official figures.

But if the government had been guilty of talking down an already struggling economy, can it now reverse a negative public and business mood with a new focus on pro-growth optimism that relies heavily on attracting private investment?

Turbocharge

In the run-up to a major 'growth speech' this week by Chancellor Rachel Reeves, the government was boosting the growth benefits of a range of initiatives, ranging from looser planning rules and AI to deregulation and pension fund reforms.

The new buzzword of 'turbocharge' is now freely applied to the growth-creating potential of almost every measure, even by a Treasury better known for restraining expectations than for boosterism.

Ahead of Reeves' speech, the Treasury said the ambition of a new package of investment reforms aimed at the regions was "to harness growth everywhere to rebuild Britain and usher in a decade of national renewal".

The Department of Science and Starmer's office at Downing Street were similarly on-message when they trailed his AI action plan for making the UK a world leader in the sector by saying it would "turbocharge growth" and "boost living standards".

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A political downside of the growth agenda is that it risks alienating those who fear, among other issues, a watering down of regulatory protections and of existing commitments on reducing carbon emissions.

Hints that the government will back controversial airport expansion and curb local obstruction of building and infrastructure projects in pursuit of growth have already prompted rumblings from an alliance of environmentalists, nimbys and localists.

Blockers

When it comes to planning permissions, Reeves has pre-empted potential dissidents within her own Labour party by warning: "This Government was elected on a mandate for change and we will not tolerate blockers who put their own interests above those of the country."

Whether they would regard themselves as 'blockers' or not, most voters are inevitably concerned about their own personal prospects in the dash for growth. Many already fear for the future of their jobs in an AI revolution, despite Starmer's promise this month that it will benefit working people.

Others fret about the further expansion of a gig economy, if and when growth picks up, that would put more people outside the protections and benefits afforded to full-time workers, despite government promises to protect their backs.

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Critics also contrast attention-grabbing initiatives - the latest is to revive a plan for a science hub to rival Silicon Valley - with Reeves' recent decision to pause plans to build 40 new hospitals.

These and other factors have stirred criticism from the left that Labour's growth strategy favours business over a workforce it was originally founded to represent.

Business leaders

That is not the message coming from employers, however. If the general public is skeptical about growth prospects, then business is downright pessimistic.

The Confederation of British Industry said this week that pessimism was widespread across the private sector, with predicted sharp declines in the sales and consumer services sectors. Growth expectations were broadly unchanged from December, which were the weakest in two years.

With businesses planning to further cut jobs and raise prices, Alpesh Paleja, speaking for the CBI, said: "After a grim lead-up to Christmas, the New Year hasn't brought any sense of renewal, with businesses still expecting a significant fall in activity."

He proposed that the way forward lay in the government and firms working together to deliver on their growth plan to restore confidence and get the economy firing on all cylinders.

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Business leaders are still smarting from the October budget that slapped a £25bn increase on employers' national insurance contributions and which they say has stalled the prospect of growth.

Reeves acknowledged in that budget that growth would remain largely unchanged in the next five years, as forecast by the Office for Budget Responsibility.

Whatever the actual growth prospects, some economists have argued that betting on a brighter future is not a substitute for government spending when it is needed.

While pushing growth, the government has pledged to slash spending by government departments, although modest changes to the fiscal rules give it a slightly wider margin to borrow to invest. Day-to-day spending must still be matched by tax receipts rather than further borrowing.

Andy Haldane, a former Bank of England economist, in remarks that were relatively upbeat on growth, cautioned Reeves against cutting back on public investment and spending in general. He told Sky News such cuts would be counterproductive to growth.

"Then I think you really are into a doomed loop between debt and growth. And that's a situation to avoid at all costs."